

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 EB-07 IGA-01 CIAE-00 L-03 SP-02

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FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 2390

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FOR ATHERTON AN PARKER FROM BYROADE

A.O. 11652: N/A

TAGS: EAID, EAGR, PK

SUBJECT: PL-480, TITLE I WHEAT

REFS: (A) ISLAMABAD 9429

(B) ISLAMABAD 9415

(C) ISLAMABAD 9394

BEGIN SUMMARY. WE ARE REPORTING SEPARATELY OUR MOST RECENT ESTIMATES OF PAKISTAN'S WORSENING BALANCE OF PAYMENTS, THE GOP'S LATEST AGRICULTURAL SELF-HELP MEASURES, AND ITS WHEAT IMPORT REQUIREMENTS FOR THE CURRENT YEAR. ALL OF THESE MAKE ME FEEL EVEN MORE STRONGLY THAT WE SHOULD IF POSSIBLE PROVIDE PAKISTAN WITH AN ADDITION 400,000 TONS OF PL-480 WHEAT THIS FISCAL YEAR. IF A DECISION ON THE FULL 400,000 TONS CANNOT BE MADE AT THIS TIME, I HOPE QUICK ACTION CAN BE TAKEN ON AT LEAST THE 200,000 TONS NEEDED TO MAKE UP PAKISTAN'S 500,000 TON ALLOCATION UNDER THE CONGRESSIONAL PRESENTATION. END SUMMARY.

1. PETER CONSTABLE HAS TOLD US IT IS PROBABLE THAT ANOTHER 200,000 TONS OF PL 480 TITLE I WHEAT CAN BE FINANCED UNDER CURRENT LEVELS BUT THAT A FURTHER 200,000 TONS, WHICH WOULD BRING THE PAKISTAN LEVEL UP TO THE 700,000 TONS WE WOULD LIKE TO PROVIDE, WOULD BE DEPENDENT ON SUPPLEMENTAL

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APPROPRIATIONS.

2. PAKISTAN NEEDS TO PLACE ORDERS FOR MORE WHEAT IN THE NEXT TWO WEEKS IN ORDER TO AVOID A BREAK IN THE SUPPLY LINE. THIS WOULD GET THEM WHEAT TO KARACHI IN FEBRUARY WHEN EARLIER PURCHASES BOTH FROM PAKISTAN'S OWN CROP AND FROM ABORAD (INCLUDING THE 300,000 TONS WE HAVE ALREADY PROVIDED UNDER TITLE I AND THE 130,000 UNDER CCC) WILL HAVE BEEN USED UP.

3. IN THIS SITUATION FROM THIS PERSPECTIVE IT SEEMS BEST TO ALLOCATE 200,000 MORE TONS UNDER TITLE I RIGHT AWAY AND THEN TO LEAVE THE LAST 200,000 TONS FOR LATER CONSIDERATION, ALONG WITH OTHER REQUIREMENTS FOR A NEW ALLOCATION.

4. SEPARATE MESSAGES IN THE EARLY SUMMER HAVE GIVEN MY REASONS FOR WANTING TO HELP PAKISTAN THIS YEAR WITH A FULL 700,000 TONS AND I WILL NOT REPEAT THOSE REASONS HERE. IN THIS MESSAGE I WOULD SIMPLY LIKE TO CALL YOUR ATTENTION TO THE FACT THAT PAKISTAN IS ASKINGFOR PL 480 AFTER HAVING MADE A WHOLE SERIES OF VERY TOUGH DECISIONS MEANT TO GROW MORE WHEAT. WE HAVE HELD THE PAKISTANI FEET TO THE FIRE AND THEY HAVE COME THROUGH. THE PRIME MINISTER HAS BEEN MAKING THESE DECISIONS PERSONALLY AND I KNOW FROM MY RECENT DISCUSSIONS WITH HIM THAT HE HAS STRAINED TO THE LIMIT OF POLITICAL TOLERANCE IN MAKING HIS PRICE DECISIONS. THE PRICE OF WHEAT TO THE FARMER HAS GONE UP 64 PERCENT OVER THE PAST TWO YEARS AND DURING THE NOW COMPLETED PROCUREMENT SEASON THE PRIME MINISTER INTERVENED TO MAKE SURE THE PROVINCES WERE VERY CAREFUL NOT TO FORCE THE FARMERS TO SELL TO THE GOVERNMENT. IN THIS WAY THE FARMER HAS OFTEN BEEN ABLE TO TAKE ADVANTAGE OF HIGHER PRICES OF WHEAT OFFERED ON THE FREE MARKET. THE RECENT OPENING UP OF THE FERTILIZER DISTRIBUTION SYSTEM TO MAKE FULL USE OF THE PRIVATE DISTRIBUTION NETWORK AND RECENT INCREASES IN ALLOWED DEALER PROFITS ALSO REPRESENT BOLD DECISION-MAKING BY THE PRIME MINISTER. TWO WEEKS AGO HE TOLD ME: QUOTE I HAVE DONE ALL THE THINGS YOUR PEOPLE WANTED. END QUOTE. AND HE HAS.

5. REF A PROVIDES A RECORD OF THE WHOLE SERIES OF SELF-HELP MEASURES PAKISTAN HAS TAKEN DURING THE PAST LIMITED OFFICIAL USE

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YEAR OR SO. REF B PROVIDES AN UPDATING ON THE REQUIREMENT WHICH VERY MUCH EXCEED WHAT WE CAN PROVIDE EVEN AT THE 700,000 TON LEVEL. REF C PROVIDES THE LATEST ON THE PRETTY GRIM BALANCE OF PAYMENTS SITUATION. WITH THESE THREE MESSAGES I HOPE YOU WILL HAVE ALL THE QUESTIONS ANSWERED. LET US KNOW IF THERE IS MORE INFO WE CAN PROVIDE.

6. THE ONLY OTHER FACTOR WHICH I WOULD LIKE TO ADD HAS TO DO WITH THE PROSPECTS FOR THE WHEAT CROP ABOUT TO BE PLANTED. THE PRIME MINISTER THIS WEEK HAS ANNOUNCED AN ALL OUT EFFORT TO REACH A TARGET OF 8.4 MILLION TONS, WHICH COMPARES WITH LAST YEAR'S RECORD (EVEN IF DISAPPOINTING) LEVEL OF 7.5 MILLION TONS. THE 8.4 MILLION TON TARGET WAS SET BEFORE THE GOVERNMENT REALIZED THAT THEY WERE GOING TO GET ONLY 1.6 MILLION ACRE FEET OF WATER FROM TARBELA THIS YEAR IN TIME FOR THE WHEAT CROP RATHER THAN THE NEARLY NINE MILLION ACRE FEET THE DAM IS DESIGNED TO PROVIDE. THIS IS BECAUSE OF THE DISCOVERY OF EXTENSIVE DAMAGE TO THE STILLING BASINS WHICH WON'T GET FIXED UNTIL MAY. WE THINK THAT IN SPITE OF THIS PAKISTAN HAS A GOOD CHANCE OF REACHING ITS GOAL SINCE IT GOES INTO THE SEASON WITH UNUSUALLY GOOD SOIL MOISTURE CONDITIONS, AND WE EXPECT MORE FERTILIZER TO BE USED ON WHEAT THIS YEAR. WE HAD A GOOD MONSOON--ALMOST TOO GOOD IN FACT. HOWEVER, IT SEEMS VERY UNLIKELY THAT THEY CAN GROW MORE THAN THIS--AND 8.4 MILLION WON'T BE ENOUGH TO COVER THEIR NEEDS NEXT YEAR.

7. I WOULD LIKE TO STRESS THE NEED FOR A QUICK DECISION ON THE NEXT 200,000 TONS. IF THE DECISION IS GOING TO BE DELAYED BEYOND TWO WEEKS, IT IS ONLY PRUDENT THAT WE TELL THE GOVERNMENT THIS RIGHT AWAY SINCE THEY MUST PLACE ORDERS IN OCTOBER TO AVOID A GAP IN THE SUPPLY LINE - A GAP THE PRIME MINISTER CANNOT ALLOW POLITICALLY.
BYROADE

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